

ANALYSIS OF ORIGINAL BILL

Author: Rainey Analyst: Paul Brainin Bill Number: SB 1523
Related Bills: See Legislative History Telephone: 845-3380 Introduced Date: 02-10-98

Attorney: Doug Bramhall Sponsor:

SUBJECT: Employer Child Care Start-up & Qualified Care Plan Contributions
Credit/Eliminates Repeal/Increase Amount

SUMMARY

Under the Personal Income Tax Law (PITL) and the Bank and Corporation Tax Law (B&CTL), this bill would remove the sunset date of the Employer Child Care Program and the Employer Child Care Contribution Credits. This bill also would increase the amount of the contribution credit from \$360 to \$600 for each qualified dependent.

EFFECTIVE DATE

This bill would apply to taxable and income years beginning on or after January 1, 1998.

LEGISLATIVE HISTORY

SB 722 (Stats. 1988, Ch. 1239); AB 802 (Stats. 1989, Ch. 1352); SB 227 (Stats. 1991, Ch. 476); SB 1863 (Stats. 1992, Ch. 816); AB 2688 (1994); AB 3144 (Stats. 1994, Ch. 748); AB 642 (1997).

HISTORY

These two employer child care credits were created by SB 722 (Stats. 1988, Ch. 1239) with a sunset of January 1, 1992, that later was extended to January 1, 1998. The Employer Child Care Program credit was for 30% of the costs of starting a child-care program or facility. The Child Care Contribution credit varied in amount based upon whether contributions were to a full- or part-time qualified care plan for dependents of employees.

Over time, these credits were amended to change certain definitions, the eligible age of the dependent of the taxpayer's employee, the percentage of the costs paid or incurred that qualify for the credit, and the amounts of the credits.

DEPARTMENTS THAT MAY BE AFFECTED:

____ STATE MANDATE

____ GOVERNOR'S APPOINTMENT

Board Position:

____ S ____ O
____ SA ____ OUA
____ N ____ NP
____ NA ____ NAR
____ X ____ PENDING

Agency Secretary Position:

____ S ____ O
____ SA ____ OUA
____ N ____ NP
____ NA ____ NAR
DEFER TO _____

GOVERNOR'S OFFICE USE

Position Approved ____
Position Disapproved ____
Position Noted ____

Department Director

Gerald H. Goldberg

3/9/98

Agency Secretary

Date

By:

Date:

SPECIFIC FINDINGS

Existing state law allows employers a tax credit, known as the Employer Child Care Program Credit, equal to 30% of the cost paid or incurred for (1) establishing a child care program or constructing a child care facility in California to be used by their employees' children and (2) contributing to child care information and referral services. Building owners also are allowed a credit equal to 30% of their costs to establish a child care program or facility to be used by their tenants' employees' children. The amount of the credit is limited to \$50,000, even if 30% of the taxpayer's expenses exceeds \$50,000, but to the extent that the allowed credit cannot be used, a credit carryover is permitted. The carried-over amount may be added to any credit for that succeeding year, with usage still limited to \$50,000.

Existing state law allows employers a tax credit, known as The Child Care Contribution credit, equal to 30% of the cost paid or incurred for contributions to a qualified care plan made on behalf of any dependent under the age of 12 of the taxpayer's California employee, but only to the extent contributions were made directly to child care programs or providers. The amount of the credit cannot exceed \$360 in any year for each qualified dependent.

These credits are available for taxable or income years beginning on or after January 1, 1995, and before January 1, 1998, and may be carried over until exhausted. These credits will remain in effect only until December 1, 1998, and as of that date the laws allowing them are repealed.

This bill would continue the credit and eliminate the sunset and repeal dates, making the operation of these credits indefinite.

This bill also would increase the amount of the Contribution credit allowed for each qualified dependent from \$360 to \$600. **This bill** also would make minor technical changes.

Policy Considerations

Sunset dates generally are provided for credits to allow periodic review by the Legislature. This bill would eliminate, rather than merely extend, the sunset date of these credits.

Implementation Considerations

This bill would not significantly impact the department's programs and operations.

FISCAL IMPACT

Departmental Costs

This bill would not significantly impact the department's costs.

Tax Revenue Estimate

Revenue losses for this bill are estimated as follows:

[\$ In Millions]			
	1998-9	1999-0	2000-1
Bank & Corporation Tax	(\$15)	(\$17)	(\$20)
Personal Income Tax	(\$2)	(\$2)	(\$2)
Total	(\$17)	(\$19)	(\$22)

This bill would be effective with income/taxable years beginning after December 31, 1997, with enactment assumed after June 30, 1998.

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this measure.

Tax Revenue Discussion

Revenue losses under the PITL and the B&CTL would depend on employers who incur qualifying child care expenses and are able to apply credits against available tax liabilities.

Actual tax data for 1995 taxable/income year indicate that there were \$7 million in applied credits (excluding prior year carryovers). The above estimates were based on budget year projections made for the credit under current law, adjusted for the larger cap (66% increase from \$360 to \$600).

BOARD POSITION

Pending.